

Sumner Community School District

Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings

June 30, 2004

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## Sumner Community School District

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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#### Board of Education

##### (Before September 2003 Election)

Karl Korporal	President	2003
Roger Shaffer	Vice President	2003
Dennis Baier	Board Member	2005
Diane Boltz	Board Member	2004
Thomas Miller	Board Member	2004

#### Board of Education

##### (After September 2003 Election)

Roger Shaffer	President	2006
Dennis Baier	Vice President	2005
Diane Boltz	Board Member	2004
Thomas Miller	Board Member	2004
Chris Brinkopf	Board Member	2006

#### School Officials

Rick Pederson	Superintendent	2004
Beverly Weidemann	District Secretary/Business Manager	2004
John Tremaine	Attorney	2004

Independent Auditor's Report

To the Board of Education of  
Sumner Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sumner Community School District, Sumner, Iowa, as of and for the year ended June 30, 2004, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Sumner Community School District at June 30, 2004, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

As described in Note 11 to the financial statements, during the year ended June 30, 2004, Sumner Community School District adopted Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; Statement No. 41, Budgetary Comparison Schedule – Perspective Differences; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

In accordance with Government Auditing Standards, I have also issued my reports dated July 21, 2004 on my consideration of Sumner Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grants. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 34 through 36 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Sumner Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2003 (none of which are presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 9 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Keith Oltrogge  
Certified Public Accountant

July 21, 2004

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Sumner Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2004. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

Because the District is implementing new reporting standards for this fiscal year with significant changes in content and structure, much of the information is not easily comparable to prior years. However, in future years, comparisons will be more meaningful and will go further in explaining the District's financial position and results of operations.

### **2004 FINANCIAL HIGHLIGHTS**

- General Fund revenues decreased from \$4,873,796 in fiscal 2003 to \$4,829,158 in fiscal 2004, while General Fund expenditures increased from \$4,398,779 in fiscal 2003 to \$4,549,707 in fiscal 2004. The District's General Fund balance increased from \$1,081,876 in fiscal year 2003 to \$1,361,327 in fiscal year 2004, a 27% increase.
- The decrease in General Fund revenues was attributable to a decrease in property tax and state and federal grant revenue in fiscal year 2004. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits and restricted grant expenditures
- A decline in interest rates during the past three fiscal years resulted in interest earnings in the General Fund alone to decrease from \$55,814 in fiscal year 2003 to \$25,717 in fiscal year 2004.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Sumner Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Sumner Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Sumner Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Sumner Community School District Annual Financial Report**

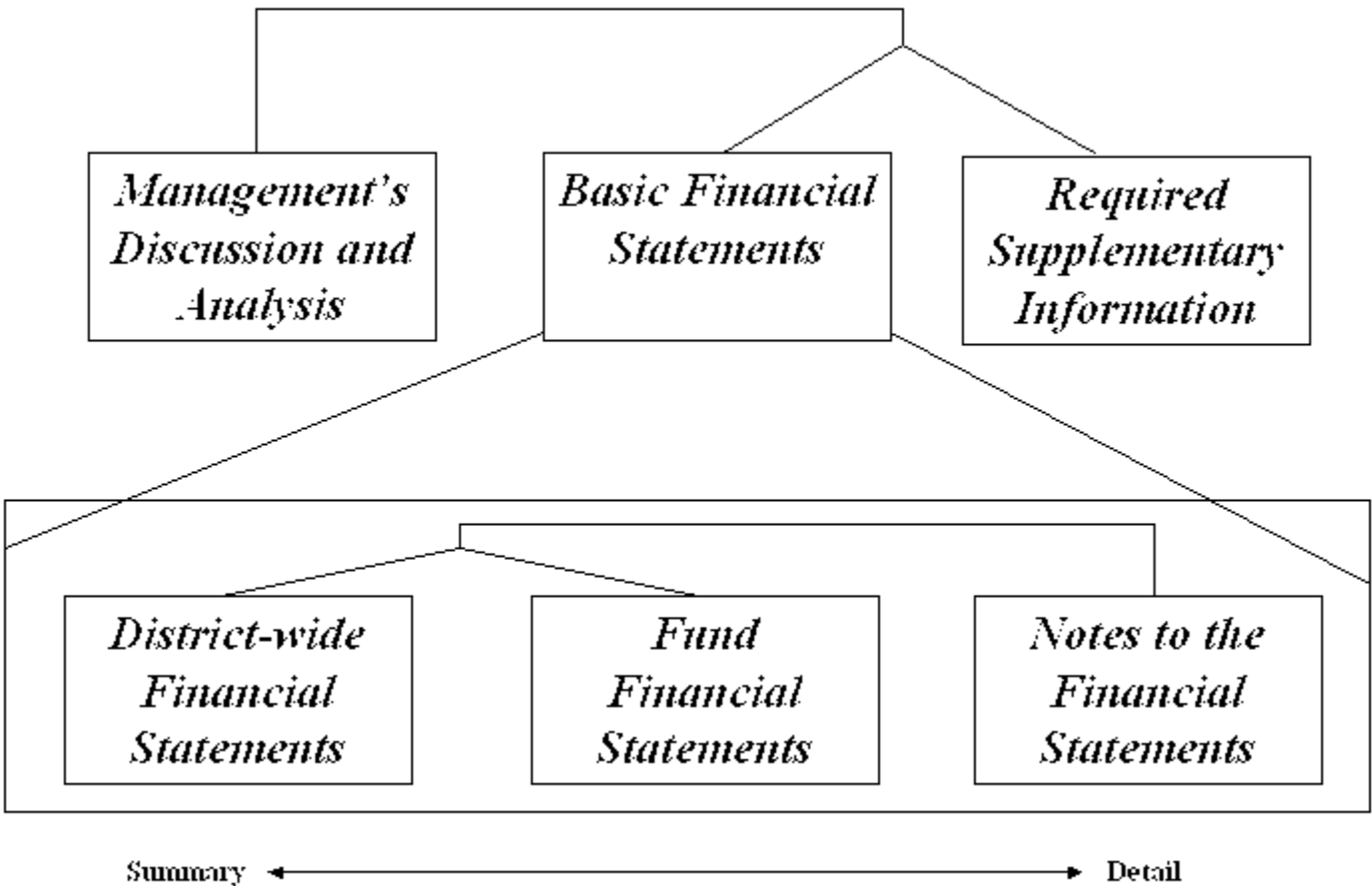




Figure A-2 summarizes the major features of the District’s financial statements, including the portion of the District’s activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Trust and Agency Funds.

- Trust Funds – The District accounts for outside donations for scholarships for individual students in these funds.
- Agency Funds – These are funds through which the District administers and accounts for on behalf of individual group. The Agency Funds are custodial in nature, assets equal liabilities, and do not involve measurement of results of operations.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2004 compared to June 30, 2003.

**Figure A-3**  
**Condensed Statement of Net Assets**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Current and other assets	\$3,672,778	\$3,719,535	\$85,173	\$66,601	\$3,757,951	\$3,786,136	-.7%
Capital assets	579,017	468,700	10,329	7,353	589,346	476,053	23.8%
Total assets	\$4,251,795	\$4,188,235	\$95,502	\$73,954	\$4,347,297	\$4,262,189	2.0%
Long-term liabilities	\$307,976	\$334,459	\$-	\$-	\$307,976	\$334,459	-7.9%
Other liabilities	2,040,275	2,416,239	9,157	3,139	2,049,432	2,419,378	-15.3%
Total liabilities	\$2,348,251	\$2,750,698	\$9,157	\$3,139	\$2,357,408	\$2,753,837	-14.4%
Net assets:							
Invested in capital assets, net of related debt	\$579,017	\$468,700	\$10,329	\$7,353	\$589,346	\$476,053	23.8%
Restricted	15,522	45,743	-	-	15,522	45,743	-66.1%
Unrestricted	1,309,005	923,094	76,016	63,462	1,385,021	986,556	40.4%
Total net assets	\$1,903,544	\$1,437,537	\$86,345	\$70,815	\$1,989,889	\$1,508,352	31.9%

The District's combined net assets increased by nearly 31.9%, or \$481,537, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased by \$30,221, or 66.1% over the prior year. The decrease was primarily a result of the reclassification of management funds to unrestricted funds.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased by \$398,465, or 40.4%.

Figure A-4 shows the change in net assets for the year ended June 30, 2004.

**Figure A-4**  
**Changes in Net Assets**

	Governmental Activities	Business Type Activities	Total District
Revenues:			
Program revenues:			
Charges for service	\$436,815	\$129,780	\$566,595
Operating grants, contributions and restricted interest	476,785	104,728	581,513
Capital grants, contributions and restricted interest	40,000	-	40,000
General revenues:			
Property tax	2,266,906	-	2,266,906
Local option sales and service tax	43,575	-	43,575
Unrestricted state grants	1,999,671	-	1,999,671
Unrestricted investment earnings	31,564	1,315	32,879
Other	15,959	-	15,959
Total revenues	\$5,311,275	\$235,823	\$5,547,098
Program expenses:			
Governmental activities:			
Instruction	\$3,319,683	\$-	\$3,319,683
Support services	1,323,252	-	1,323,252
Non-instructional programs	-	220,293	220,293
Other expenses	202,333	-	202,333
Total expenses	\$4,845,268	\$220,293	\$5,065,561
Change in net assets	\$466,007	\$15,530	\$481,537

Property tax and unrestricted state grants account for 80.3% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 95.8% of the total expenses.

### Governmental Activities

Revenues for governmental activities were \$5,311,275 and expenses were \$4,845,268. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5**  
**Total and Net Cost of  
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$3,319,683	\$2,601,557
Support Services	1,323,252	1,276,153
Non-instructional programs	-	-
Other expenses	202,333	13,958
Totals	\$4,845,268	\$3,891,668

- The cost financed by users of the District's programs was \$436,815.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$476,785.
- The net cost of governmental activities was financed with \$2,310,481 in property and other taxes and \$1,999,671 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$235,823 and expenses were \$220,293. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Sumner Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$1,632,845, well above last year's ending fund balances of \$1,303,830.

### **Governmental Fund Highlights**

- The General Fund balance increased from \$1,081,876 to \$1,361,327.
- The Capital Projects Fund was established during 2004. The school infrastructure local option sales tax revenues are deposited in this fund.

### **Proprietary Fund Highlights**

- School Nutrition Fund net assets increased from \$7,353 at June 30, 2003 to \$10,329 at June 30, 2004, representing an increase of approximately 40%.

### **BUDGETARY HIGHLIGHTS**

Over the course of the year, Sumner Community school District amended its annual budget one time.

The District's receipts were \$125,740 more than budgeted receipts, a variance of 2%. The most significant variance resulted from the District receiving more in charges for services in the Nutrition Fund and Activity Fund.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area due to the timing of disbursements paid at year-end without sufficient time to amend the certified budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2004, the District had invested \$589,346, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 23.7% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$98,336.

The original cost of the District's capital assets was \$4,994,028. Governmental funds account for \$4,963,847, with the remainder of \$30,181 accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2004	2003	2004	2003	2004	2003	2003-2004
Land	\$3,261	\$3,261	\$-	\$-	\$3,261	\$3,261	0.0%
Buildings	343,323	235,907	-	-	343,323	235,907	45.5%
Improvements other than buildings	8,027	3,125	-	-	8,027	3,125	256.9%
Furniture and equipment	224,406	226,407	10,329	7,353	234,735	233,760	0.4%
Totals	\$579,017	\$468,700	\$10,329	\$7,353	\$589,346	\$476,053	23.8%

### Long-Term Debt

At June 30, 2004, the District had \$307,976 in general obligation and other long-term debt outstanding. This represents a decrease of 7.9% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

**Figure A-7**  
**Outstanding Long-term Obligations**

	Total District	Total Change
	June 30,	June 30,
	2004	2003
	2004	2003
General obligation bonds	\$30,000	\$60,000
Notes payable EPA	20,919	23,869
Early retirement	257,057	250,590
Totals	\$307,976	\$334,459

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- In October of 2003, the District approved a whole-grade sharing agreement with Fredericksburg Community School District, which will begin July 1, 2004. High School students from both districts will attend the Sumner attendance center, and Middle School students will attend the Fredericksburg attendance center, with each district maintaining elementary centers.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Bev Weidemann, District Secretary and Business Manager, Sumner Community School District, 802 West 6<sup>th</sup> Street, P.O. Box 178, Sumner IA 50674-0178.

## **Basic Financial Statements**



## Sumner Community School District

## Statement of Net Assets

June 30, 2004

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents:			
ISCAP	\$ 211,430	\$ -	\$ 211,430
Other	1,635,777	76,104	1,711,881
Receivables:			
Property tax:			
Delinquent	23,659	-	23,659
Succeeding year	1,773,187	-	1,773,187
Accounts	4,193	168	4,361
Accrued interest:			
ISCAP	1,150	-	1,150
Due from other governments	23,382	-	23,382
Inventories	-	8,901	8,901
Capital assets, net of accumulated depreciation	579,017	10,329	589,346
<b>Total Assets</b>	<b>\$ 4,251,795</b>	<b>\$ 95,502</b>	<b>\$ 4,347,297</b>
<b>Liabilities</b>			
Accounts payable	\$ 41,139	\$ 999	\$ 42,138
Salaries and benefits payable	5,448	2,695	8,143
Early retirement	7,403	-	7,403
Accrued interest payable	342	-	342
Deferred revenue-succeeding year property tax	1,773,187	-	1,773,187
Deferred revenue-other	-	5,463	5,463
Other current liabilities	1,012	-	1,012
ISCAP warrants payable	210,000	-	210,000
ISCAP accrued interest payable	1,744	-	1,744
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	30,000	-	30,000
Notes payable	3,150	-	3,150
Early retirement	51,708	-	51,708
Portion due after one year:			
Notes payable	17,769	-	17,769
Early retirement	205,349	-	205,349
<b>Total Liabilities</b>	<b>\$ 2,348,251</b>	<b>\$ 9,157</b>	<b>\$ 2,357,408</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 579,017	\$ 10,329	\$ 589,346
Restricted for:			
Other special revenue purposes	15,522	-	15,522
Unrestricted	1,309,005	76,016	1,385,021
<b>Total Net Assets</b>	<b>\$ 1,903,544</b>	<b>\$ 86,345</b>	<b>\$ 1,989,889</b>

See notes to financial statements.

**Sumner Community School District**

**Statement of Activities**

**Year Ended June 30, 2004**

	Program Revenues			
	Expenses	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b><u>Functions/Programs</u></b>				
Governmental Activities:				
Instruction:				
Regular instruction	\$ 2,145,779	\$ 237,705	\$ 172,095	\$ -
Special instruction	727,572	-	111,560	-
Other instruction	446,332	192,011	4,755	-
	<u>\$ 3,319,683</u>	<u>\$ 429,716</u>	<u>\$ 288,410</u>	<u>\$ -</u>
Support Services:				
Student services	\$ 84,280	\$ -	\$ -	\$ -
Instructional staff services	65,738	-	-	-
Administration services	427,016	-	-	-
Operation and maintenance of plant services	591,756	6,190	-	40,000
Transportation services	154,462	909	-	-
	<u>\$ 1,323,252</u>	<u>\$ 7,099</u>	<u>\$ -</u>	<u>\$ 40,000</u>
Other Expenditures:				
Facilities acquisition	\$ 7,750	\$ -	\$ -	\$ -
Long-term debt interest	6,208	-	-	-
AEA flow-through	188,375	-	188,375	-
	<u>\$ 202,333</u>	<u>\$ -</u>	<u>\$ 188,375</u>	<u>\$ -</u>
 Total Governmental Activities	 \$ 4,845,268	 \$ 436,815	 \$ 476,785	 \$ 40,000
Business Type Activities:				
Non-Instructional Programs:				
Food service operations	220,293	129,780	104,728	-
 Total	 <u>\$ 5,065,561</u>	 <u>\$ 566,595</u>	 <u>\$ 581,513</u>	 <u>\$ 40,000</u>

Net (Expense) Revenue  
And Changes in Net Assets

---

Governmental Activities		Business Type Activities		Total
\$ -1,735,979		\$ -		\$ -1,735,979
-616,012		-		-616,012
-249,566		-		-249,566
\$ -2,601,557		\$ -		\$ -2,601,557
\$ -84,280		\$ -		\$ -84,280
-65,738		-		-65,738
-427,016		-		-427,016
-545,566		-		-545,566
-153,553		-		-153,553
\$ -1,276,153		\$ -		\$ -1,276,153
\$ -7,750		\$ -		\$ -7,750
-6,208		-		-6,208
-		-		-
\$ -13,958		\$ -		\$ -13,958
\$ -3,891,668		\$ -		\$ -3,891,668
-		14,215		14,215
\$ -3,891,668		\$ 14,215		\$ -3,877,453

**Sumner Community School District**

**Statement of Activities**

**Year Ended June 30, 2004**

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			
<b>General Revenues:</b>			
Property Tax Levied For:			
General purposes			
Debt service			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
Total General Revenues			
Change in net assets			
Net assets beginning of year, as restated			
Net Assets End of Year			

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	2,176,627	\$	-	\$ 2,176,627
	33,938		-	33,938
	56,341		-	56,341
	43,575		-	43,575
	1,999,671		-	1,999,671
	31,564		1,315	32,879
	15,959		-	15,959
\$	4,357,675	\$	1,315	\$ 4,358,990
\$	466,007	\$	15,530	\$ 481,537
	1,437,537		70,815	1,508,352
\$	1,903,544	\$	86,345	\$ 1,989,889

## Sumner Community School District

Balance Sheet  
Governmental Funds

June 30, 2004

	General	Non-major Special Revenue	Total
<b>Assets</b>			
Cash and Pooled Investments:			
ISCAP	\$ 211,430	\$ -	\$ 211,430
Other	1,353,524	282,253	1,635,777
Receivables:			
Property Tax:			
Delinquent	21,467	2,192	23,659
Succeeding year	1,578,776	194,411	1,773,187
Accounts	-	4,193	4,193
Accrued Interest:			
ISCAP	1,150	-	1,150
Due from other governments	23,382	-	23,382
<b>Total Assets</b>	<b>\$ 3,189,729</b>	<b>\$ 483,049</b>	<b>\$ 3,672,778</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	\$ 31,422	\$ 9,717	\$ 41,139
Salaries and benefits payable	5,448	-	5,448
Early retirement	-	7,403	7,403
Other current liabilities	1,012	-	1,012
ISCAP warrants payable	210,000	-	210,000
ISCAP accrued interest payable	1,744	-	1,744
Deferred Revenue:			
Succeeding year property tax	1,578,776	194,411	1,773,187
Total Liabilities	<b>\$ 1,828,402</b>	<b>\$ 211,531</b>	<b>\$ 2,039,933</b>
Fund Balances:			
Reserved	\$ 15,522	\$ -	\$ 15,522
Unreserved	1,345,805	271,518	1,617,323
Total Fund Balances	<b>\$ 1,361,327</b>	<b>\$ 271,518</b>	<b>\$ 1,632,845</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,189,729</b>	<b>\$ 483,049</b>	<b>\$ 3,672,778</b>

See notes to financial statements.

## Sumner Community School District

Reconciliation of the Balance Sheet – Governmental Funds  
To the Statement of Net Assets

June 30, 2004

<b>Total fund balances of governmental funds (page 16)</b>	\$ 1,632,845
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	579,017
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-342
Long-term liabilities, including bonds and notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-307,976</u>
<b>Net assets of governmental activities (page 13)</b>	<u>\$ 1,903,544</u>

## Sumner Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2004

	General	Non-Major Special Revenue	Total
Revenues:			
Local Sources:			
Local tax	\$ 2,066,151	\$ 199,359	\$ 2,265,510
Tuition	92,712	-	92,712
Other	183,056	242,629	425,685
Intermediate sources	-	-	-
State sources	2,329,811	129	2,329,940
Federal sources	147,912	40,000	187,912
Total Revenues	\$ 4,819,642	\$ 482,117	\$ 5,301,759
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 2,187,840	\$ 46,750	\$ 2,234,590
Special instruction	727,572	-	727,572
Other instruction	277,586	185,201	462,787
	\$ 3,192,998	\$ 231,951	\$ 3,424,949
Support Services:			
Student services	\$ 84,280	\$ -	\$ 84,280
Instructional staff services	65,738	-	65,738
Administration services	437,929	-	437,929
Operation and maintenance of plant services	448,671	141,100	589,771
Transportation services	126,566	17,552	144,118
	\$ 1,163,184	\$ 158,652	\$ 1,321,836
Other Expenditures:			
Facilities acquisition	\$ -	\$ 7,750	\$ 7,750
Long-Term Debt:			
Principal	-	35,150	35,150
Interest and fiscal charges	-	4,200	4,200
AEA flow-through	188,375	-	188,375
	\$ 188,375	\$ 47,100	\$ 235,475
Total Expenditures	\$ 4,544,557	\$ 437,703	\$ 4,982,260
Excess of revenues over expenditures	\$ 275,085	\$ 44,414	\$ 319,499
Other Financing Sources (Uses):			
Operating transfers in	\$ -	\$ 5,150	\$ 5,150
Operating transfers out	-5,150	-	-5,150
Insurance proceeds	9,366	-	9,366
Sale of materials	150	-	150
Total Other Financing Sources (Uses)	\$ 4,366	\$ 5,150	\$ 9,516
Net change in fund balances	\$ 279,451	\$ 49,564	\$ 329,015
Fund balances beginning of year, as restated (Note 11)	1,081,876	221,954	1,303,830
Fund Balances End of Year	\$ 1,361,327	\$ 271,518	\$ 1,632,845

See notes to financial statements.



## Sumner Community School District

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
To the Statement of Activities**

**Year Ended June 30, 2004**

**Net change in fund balances – total governmental funds (page 18)** \$ 329,015

*Amounts reported for governmental activities in the Statement of Activities are different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 206,138	
Depreciation expense	-95,821	110,317

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Repaid		32,950
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Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

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Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	\$ 39,347	
New retirements	-45,814	-6,467

**Change in Net Assets of Governmental Activities (page 15)** \$ 466,007

Sumner Community School District

Statement of Net Assets  
Proprietary Fund

June 30, 2004

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 76,104
Accounts receivable	168
Inventories	8,901
Capital assets, net of accumulated depreciation	10,329
<b>Total Assets</b>	<u>\$ 95,502</u>
<b>Liabilities</b>	
Accounts payable	\$ 999
Salaries and benefits payable	2,695
Deferred revenue	5,463
<b>Total Liabilities</b>	<u>\$ 9,157</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 10,329
Unrestricted	76,016
<b>Total Net Assets</b>	<u>\$ 86,345</u>

**Sumner Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**  
**June 30, 2004**

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 129,780
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 77,112
Benefits	10,307
Purchased services	1,944
Supplies	127,016
Depreciation	2,515
Other	1,399
Total operating expenses	\$ 220,293
Operating loss	\$ -90,513
Non-operating revenues:	
State sources	\$ 3,799
Federal sources	100,929
Interest income	1,315
Total non-operating revenues	\$ 106,043
Change in net assets	\$ 15,530
Net assets beginning of year	70,815
Net Assets End of Year	\$ 86,345

See notes to financial statements.

Sumner Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2004

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 132,278
Cash paid to employees for services	-84,724
Cash paid to suppliers for goods or services	-110,164
Net cash used by operating activities	<u>\$ -62,610</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,799
Federal grants received	80,787
Net cash provided by non-capital financing activities	<u>\$ 84,586</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>\$ -5,491</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 1,315</u>
Net increase in cash and cash equivalents	\$ 17,800
Cash and cash equivalents beginning of year	<u>58,304</u>
Cash and Cash Equivalents End of Year	<u>\$ 76,104</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -90,513
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	18,011
Depreciation	2,515
Decrease in inventories	1,185
Decrease in accounts receivable	173
Increase in accounts payable	999
Increase in salaries and benefits payable	2,695
Increase in deferred revenue	<u>2,325</u>
Net Cash Used by Operating Activities	<u>\$ -62,610</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2004, the District received \$20,142 of federal commodities.

Sumner Community School District

Statement of Fiduciary Net Assets  
Fiduciary Funds

Year Ended June 30, 2004

	Trusts		
	Non- Expendable	Expendable	Agency
<b>Assets</b>			
Cash and pooled investments	\$ 355,235	\$ 3,584	\$ 10
Accrued interest receivable	149	-	-
<b>Total Assets</b>	<b>\$ 355,384</b>	<b>\$ 3,584</b>	<b>\$ 10</b>
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ 10
<b>Net assets</b>			
Unreserved for scholarships	\$ 355,384	\$ 3,584	\$ -

See notes to financial statements.

**Sumner Community School District**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year Ended June 30, 2004**

	Trusts	
	Non-Expendable	Expendable
Additions:		
Local sources:		
Gifts and contributions	\$ 181	\$ 200
Interest income	18,679	80
Gain on investments	4,031	-
Total additions	<u>\$ 22,891</u>	<u>\$ 280</u>
Deductions:		
Instruction:		
Regular Instruction:		
Scholarships awarded	\$ 18,575	\$ 1,000
Other	3,616	-
Total Deductions	<u>\$ 22,191</u>	<u>\$ 1,000</u>
Change in net assets	\$ 700	\$ -720
Net assets beginning of year	<u>354,684</u>	<u>4,304</u>
Net Assets End of Year	<u><u>\$ 355,384</u></u>	<u><u>\$ 3,584</u></u>

See notes to financial statements.

## Sumner Community School District

### Notes to Financial Statements

June 30, 2004

#### (1) Summary of Significant Accounting Policies

Sumner Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Sumner, Iowa and portions of the predominately agricultural territories in Chickasaw, Fayette and Bremer Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Sumner Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Sumner Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

##### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Trust Funds are used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent for individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operations.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.



Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2002 assessed property valuations; is for the tax accrual period July 1, 2003 through June 30, 2004 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2003.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Salaries and Benefits Payable – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2004, disbursements in the support services functional area exceeded the amount budgeted.

**(2) Cash and Pooled Investments**

The District's deposits in banks at June 30, 2004 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

**(3) Inter-fund Transfers**

The detail of inter-fund transfers for the year ended June 30, 2004 is as follows:

Transfer to	Transfer from	Amount
Debt Service	General Fund	\$ 5,150

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(4) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2004 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Un-amortized Premium
2003-2004B	1/30/04	1/28/05	\$ 211,430	\$ 1,150	\$ 210,000	\$ 1,744	\$ 1,012
Total			\$ 211,430	\$ 1,150	\$ 210,000	\$ 1,744	1,012

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. There was no ISCAP advance activity in the General Fund for the year ended June 30, 2004.

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2003-04A	2.000%	2.603%
2003-04B	2.000%	1.392%
2004-05A	3.000%	2.463%

**(5) Capital Assets**

Capital assets activity for the year ended June 30, 2004 was as follows:

	Balance Beginning Of Year, as Restated (Note 11)	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 3,261	\$ -	\$ -	\$ 3,261
Total capital assets not being depreciated	\$ 3,261	\$ -	\$ -	\$ 3,261
Capital assets being depreciated:				
Buildings	\$ 2,149,122	\$ 137,266	\$ -	\$ 2,286,388
Improvements other than buildings	3,658	5,306	-	8,964
Furniture and equipment	2,601,668	63,566	-	2,665,234
Total capital assets being depreciated	\$ 4,754,448	\$ 206,138	\$ -	\$ 4,960,586
Less accumulated depreciation for:				
Buildings	\$ 1,913,215	\$ 29,850	\$ -	\$ 1,943,065
Improvements other than buildings	533	404	-	937
Furniture and equipment	2,375,261	65,567	-	2,440,828
Total accumulated depreciation	\$ 4,289,009	\$ 95,821	\$ -	\$ 4,384,830
Total capital assets being depreciated, net	\$ 465,439	\$ 110,317	\$ -	\$ 575,756
Governmental Activities Capital Assets, Net	\$ 468,700	\$ 110,317	\$ -	\$ 579,017

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 32,136	\$ 5,491	\$ 7,446	\$ 30,181
Less accumulated depreciation	24,783	2,515	7,446	19,852
Business Type Activities Capital Assets, Net	\$ 7,353	\$ 2,976	\$ -	\$ 10,329

Depreciation expense was charged to the following functions:

Governmental Activities:

Instruction:

Regular	\$ 57,065
Special	-
Other	4,788

Support services:

Instructional staff	-
Administration	5,142
Operation and maintenance of plant	1,985
Transportation	26,841
	\$ 95,821

Unallocated

-

Total Depreciation Expense – Governmental Activities

\$ 95,821

Business Type Activities:

Food service operations	\$ 2,515
-------------------------	----------

**(6) Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2004 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 60,000	\$ -	\$ 30,000	\$ 30,000	\$ 30,000
EPA note	23,869	-	2,950	20,919	3,150
Early retirement	250,590	45,814	39,347	257,057	51,708
Total	\$ 334,459	\$ 45,814	\$ 72,297	\$ 307,976	\$ 84,858

Early Retirement

The District offers a voluntary early retirement plan to its certified employees. Employees must complete an application, which is required to be approved by the Board of Education. Early retirement benefits paid during the year ended June 30, 2004 totaled \$39,347. The cost of early retirement payments expected to be liquidated currently are recorded as a liability of the Special Revenue, Management Levy Fund. A liability has been recorded in the Governmental Activities Long-Term Liability section representing the District's commitment to fund non-current early retirement, which consist of health insurance premiums at various current rates of \$222.70 to \$399.83 per month for a total of \$257,057 at June 30, 2004.

## General Obligation Bonds Payable

Details of the District's June 30, 2004 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Bond Issue as of February 1, 1990			
	Interest Rate	Principal	Interest	Total
2005	7.00%	\$ 30,000	\$ 2,100	\$ 32,100

## Note Payable – EPA

On May 4, 1990, the District entered into an EPA Assistance Agreement with the U.S. Environmental Protection Agency for the removal of asbestos from structures owned by the District. The total amount awarded to the District was \$174,565, of which \$81,871 was to be grant funds and \$92,694 was to be loan funds. On May 22, 1990, the District signed a non-interest bearing promissory note for \$105,206. This note was amended to \$92,694 on October 25, 1991. Repayment of the loan is done in semi-annual installments, which began May 30, 1992 and are in the amount of 1/36<sup>th</sup> of the total amount of the loan. A first payment of \$2,922 was made in May of 1992 (\$105,206 divided by 36). The remaining 35 payments are to be \$2,575 each (\$92,694 minus \$2,922 divided by 35). The minimum total payments for each succeeding year are as follows:

Year Ending June 30,	Total
2005	\$ 5,150
2006	5,150
2007	5,150
2008	5,150
2009	5,150
2010	2,569
	\$ 28,319
Less: imputed interest	-7,400
Total	\$ 20,919

## **(7) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2004, 2003 and 2002. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2004, 2003 and 2002 were \$149,220, \$141,414 and \$146,411, respectively, equal to the required contributions for each year.

## **(8) Risk Management**

Sumner Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(9) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$188,375 for the year ended June 30, 2004 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(10) Subsequent Events**

Effective July 1, 2004, the Sumner Community School District and the Fredericksburg Community School District have entered into a whole grade sharing agreement.

**(11) Accounting Change and Restatements**

Governmental Accounting Standards Board Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements, was implemented for the year ended June 30, 2004. The interpretation modifies when compensated absence and early retirement liabilities are recorded under the modified accrual basis of accounting.

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments; Statement No. 37, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Statement No. 41, Budgetary Comparison Schedule – Perspective Differences, were implemented for the year ended June 30, 2004. The statements create new basic financial statements for reporting the District's financial activities. The financial statements now include government-wide financial statements prepared on an accrual basis of accounting and fund financial statements which present information for individual major funds rather than by fund type. Non-major funds are presented in total in one column.

The government-wide financial statements separate the District's programs between governmental and business type activities. The beginning net assets for governmental activities has been restated to include capital assets, long-term liabilities and the changes in assets and liabilities at July 1, 2003 caused by the conversion to the accrual basis of accounting.

The effects of the accounting change and other restatements in the governmental activities are summarized as follows:

	Fund		
	General	Non-major Special Revenue	Total
Net assets June 30, 2003, as previously reported	\$ 1,081,876	\$ 221,954	\$ 1,303,830
GASB Interpretation 6 adjustments	-	-	-
Net Assets July 1, 2003, as Restated for Governmental Funds	<u>\$ 1,081,876</u>	<u>\$ 221,954</u>	<u>\$ 1,303,830</u>
GASB 34 Adjustments:			
Capital assets, net of accumulated depreciation of \$4,289,009			468,700
Long-Term Liabilities:			
Bonds and loans		\$ 83,869	
Early retirement		<u>250,591</u>	-334,460
Accrued interest payable			<u>-533</u>
Net Assets July 1, 2003, as Restated			<u>\$ 1,437,537</u>

## **Required Supplementary Information**



**Sumner Community School District**

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual (Cash Basis) – All Governmental Funds and Proprietary Fund**

**Required Supplementary Information**

**Year Ended June 30, 2004**

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 2,790,358	\$ 133,593
Intermediate sources	-	-
State sources	2,335,137	3,799
Federal sources	185,322	80,787
Total Receipts	<u>\$ 5,310,817</u>	<u>\$ 218,179</u>
Disbursements:		
Instruction	\$ 3,418,805	\$ -
Support services	1,312,800	-
Non-instructional programs	-	200,379
Other expenditures	227,725	-
Total Disbursements	<u>\$ 4,959,330</u>	<u>\$ 200,379</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 351,487	\$ 17,800
Other financing sources, net	<u>9,516</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 361,003	\$ 17,800
Balances beginning of year	<u>1,278,358</u>	<u>58,304</u>
Balances End of Year	<u><u>\$ 1,639,361</u></u>	<u><u>\$ 76,104</u></u>

See accompanying independent auditor's report.

	Total Actual		Budgeted Original	Amounts Final		Final To Actual Variance
\$	2,923,951	\$	2,815,871	\$	2,815,871	\$ 108,080
	-		-		-	-
	2,338,936		2,330,385		2,330,385	8,551
	266,109		257,000		257,000	9,109
\$	5,528,996	\$	5,403,256	\$	5,403,256	\$ 125,740
\$	3,418,805	\$	4,176,824	\$	4,167,956	\$ 749,151
	1,312,800		1,288,892		1,288,892	-23,908
	200,379		201,132		210,000	9,621
	227,725		244,517		244,517	16,792
\$	5,159,709	\$	5,911,365	\$	5,911,365	\$ 751,656
\$	369,287	\$	-508,109	\$	-508,109	\$ 877,396
	9,516		-		-	9,516
\$	378,803	\$	-508,109	\$	-508,109	\$ 886,912
	1,336,662		1,408,085		1,408,085	-71,423
\$	1,715,465	\$	899,976	\$	899,976	\$ 815,489

**Sumner Community School District**

**Budgetary Comparison Schedule – Budget to GAAP Reconciliation**

**Required Supplementary Information**

**Year Ended June 30, 2004**

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 5,310,817	\$ -3,628	\$ 5,307,189
Expenditures	4,959,330	29,080	4,988,410
Net	\$ 351,487	\$ -32,708	\$ 318,779
Other financing sources, net	9,516	-	9,516
Beginning fund balances	1,278,358	29,776	1,308,134
Ending Fund Balances	<u>\$ 1,639,361</u>	<u>\$ -2,932</u>	<u>\$ 1,636,429</u>
	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 218,179	\$ 17,644	\$ 235,823
Expenses	200,379	19,914	220,293
Net	\$ 17,800	\$ -2,270	\$ 15,530
Beginning net assets	58,304	12,511	70,815
Ending Net Assets	<u>\$ 76,104</u>	<u>\$ 10,241</u>	<u>\$ 86,345</u>

See accompanying independent auditor's report.

**Sumner Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2004**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Non-Expendable Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis. Encumbrances are not recognized on the cash basis budget and appropriations lapse at year-end.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment.

During the year ended June 30, 2004, disbursements in the support services function exceeded the amount budgeted.

## **Other Supplementary Information**

## Sumner Community School District

Combining Balance Sheet  
Non-Major Special Revenue Funds

June 30, 2004

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
<b>Assets</b>						
Cash and pooled investments	\$ 54,628	\$ 126,222	\$ 56,438	\$ 40,170	\$ 4,795	\$ 282,253
Receivables:						
Property Tax:						
Delinquent	1,197	-	621	-	374	2,192
Succeeding year	110,000	-	52,311	-	32,100	194,411
Accounts	-	-	-	4,193	-	4,193
<b>Total Assets</b>	<b>\$ 165,825</b>	<b>\$ 126,222</b>	<b>\$ 109,370</b>	<b>\$ 44,363</b>	<b>\$ 37,269</b>	<b>\$ 483,049</b>
<b>Liabilities &amp; Fund Equity</b>						
Liabilities:						
Accounts payable	\$ -	\$ 1,967	\$ -	\$ 7,750	\$ -	\$ 9,717
Early retirement	7,403	-	-	-	-	7,403
Deferred revenue:						
Succeeding year property tax	110,000	-	52,311	-	32,100	194,411
Total Liabilities	\$ 117,403	\$ 1,967	\$ 52,311	\$ 7,750	\$ 32,100	\$ 211,531
Fund Equity:						
Unreserved fund balances	48,422	124,255	57,059	36,613	5,169	271,518
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$ 165,825</b>	<b>\$ 126,222</b>	<b>\$ 109,370</b>	<b>\$ 44,363</b>	<b>\$ 37,269</b>	<b>\$ 483,049</b>

See accompanying independent auditor's report.

## Sumner Community School District

**Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Non-Major Special Revenue Funds**

**Year Ended June 30, 2004**

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Revenues:						
Local Sources:						
Local tax	\$ 109,138	\$ -	\$ 56,305	\$ -	\$ 33,916	\$ 199,359
Other	998	195,438	1,107	44,363	723	242,629
State sources	71	-	36	-	22	129
Federal sources	-	-	40,000	-	-	40,000
Total Revenues	\$ 110,207	\$ 195,438	\$ 97,448	\$ 44,363	\$ 34,661	\$ 482,117
Expenditures:						
Current:						
Instruction:						
Regular instruction	\$ 46,750	\$ -	\$ -	\$ -	\$ -	\$ 46,750
Special instruction	-	-	-	-	-	-
Other instruction	-	185,201	-	-	-	185,201
Support Services:						
Administration services	-	-	-	-	-	-
Operation & maintenance of plant services	42,724	-	98,376	-	-	141,100
Transportation services	9,691	7,861	-	-	-	17,552
Other Expenditures:						
Facilities acquisition	-	-	-	7,750	-	7,750
Long-Term Debt:						
Principal	-	-	-	-	35,150	35,150
Interest and fiscal charges	-	-	-	-	4,200	4,200
Total Expenditures	\$ 99,165	\$ 193,062	\$ 98,376	\$ 7,750	\$ 39,350	\$ 437,703
Excess (deficiency) of revenues over (under) expenditures	\$ 11,042	\$ 2,376	\$ -928	\$ 36,613	\$ -4,689	\$ 44,414
Other Financing Sources (Uses):						
Operating transfers in	\$ -	\$ -	\$ -	\$ -	\$ 5,150	\$ 5,150
Excess (deficiency) of revenues & other financing sources over (under) expenditures & other financing uses	\$ 11,042	\$ 2,376	\$ -928	\$ 36,613	\$ 461	\$ 49,564
Fund balances beginning of year, as restated	37,380	121,879	57,987	-	4,708	221,954
Fund Balances End of Year	\$ 48,422	\$ 124,255	\$ 57,059	\$ 36,613	\$ 5,169	\$ 271,518

See accompanying independent auditor's report.

## Sumner Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2004

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Annual	\$ 3,743	\$ 12,434	\$ 9,369	\$ -	\$ 6,808
Senior High Athletics	36,040	58,886	57,416	-	37,510
Class of 2003	85	-	-	-	85
Class of 2004	2,910	6,103	7,766	-	1,247
Class of 2005	1,300	11,126	11,018	-	1,408
Class of 2006	672	5,555	4,444	-	1,783
Class of 2007	911	1,410	1,272	-	1,049
Class of 2008	456	376	12	-	820
Class of 2010	-	130	-	-	130
Dramatics	2,236	1,200	1,341	-	2,095
Durant D.O.O.R.S.	27,809	15,397	17,876	-	25,330
Durant Activities	2,863	1,788	1,007	-	3,644
Future Farmers of America	50	361	-	-	411
Future Homemakers of America –					
Senior High	400	2,539	2,481	-	458
General	3,770	5,758	7,456	-	2,072
Instrumental Music	1,699	12,196	12,339	-	1,556
Senior High Activities	472	4,084	4,358	-	198
Letterettes' Club	1,254	-	1,254	-	-
Get a Grip	170	1,714	807	-	1,077
National Honor Society	47	1,032	864	-	215
Pep Club-Junior High School	1,193	7,219	8,412	-	-
Junior High Activities	650	4,559	5,209	-	-
RIF	729	2,890	2,813	-	806
Spanish Fundraising	1,632	-	-	-	1,632
Special Olympics	521	-	-	-	521
Student Senate-Senior High	1,724	3,127	4,078	-	773
Sumner Booster Club	14,976	10,198	3,543	-	21,631
Vocal Music	13,567	15,007	25,055	-	3,519
New School Fund	-	10,349	2,872	-	7,477
Total	\$ 121,879	\$ 195,438	\$ 193,062	\$ -	\$ 124,255

See accompanying independent auditor's report.



## Sumner Community School District

Combining Balance Sheet  
Non-Expendable Trust Funds

June 30, 2004

	Sandra Trout Scholarship	Marilyn Leyh Scholarship	Vay Hurmency Scholarship	Michael Buhr Scholarship	Total
<b>Assets</b>					
Cash	\$ 113	\$ 1,928	\$ 9,171	\$ 23,917	\$ 35,129
Investments	320,106	-	-	-	320,106
Accrued interest receivable	-	-	-	149	149
<b>Total Assets</b>	<b>\$ 320,219</b>	<b>\$ 1,928</b>	<b>\$ 9,171</b>	<b>\$ 24,066</b>	<b>\$ 355,384</b>
<b>Liabilities and Fund Equity</b>					
Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -
Fund equity:					
Fund Balances:					
Unreserved, undesignated	320,219	1,928	9,171	24,066	355,384
<b>Total Liabilities and Fund Equity</b>	<b>\$ 320,219</b>	<b>\$ 1,928</b>	<b>\$ 9,171</b>	<b>\$ 24,066</b>	<b>\$ 355,384</b>

See accompanying independent auditor's report.

## Sumner Community School District

Combining Balance Sheet  
Expendable Trust Funds

June 30, 2004

	40/8 Fayette Scholarship	Boehm- Kooper Scholarship	Total
<b>Assets</b>			
Cash	\$ -210	\$ 3,794	\$ 3,584
<b>Total Assets</b>	<u>\$ -210</u>	<u>\$ 3,794</u>	<u>\$ 3,584</u>
<b>Liabilities and Fund Equity</b>			
Liabilities	\$ -	\$ -	\$ -
Fund Equity:			
Fund Balances:			
Unreserved, undesignated	<u>-210</u>	<u>3,794</u>	<u>3,584</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ -210</u>	<u>\$ 3,794</u>	<u>\$ 3,584</u>

See accompanying independent auditor's report.

## Sumner Community School District

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Non-Expendable Trust Funds

Year Ended June 30, 2004

	Sandra Trout Scholarship	Marilyn Leyh Scholarship	Vay Hurmeny Scholarship	Michael Buhr Scholarship	Total
Revenues:					
Local Sources:					
Interest on investments	\$ 17,849	\$ 41	\$ 195	\$ 594	\$ 18,679
Contributions	-	91	90	-	181
Gain on investments	4,031	-	-	-	4,031
Total Revenues	\$ 21,880	\$ 132	\$ 285	\$ 594	\$ 22,891
Expenditures:					
Instruction:					
Regular Instruction:					
Scholarships	\$ 16,400	\$ 125	\$ 250	\$ 1,800	\$ 18,575
Other	3,616	-	-	-	3,616
Total Expenditures	\$ 20,016	\$ 125	\$ 250	\$ 1,800	\$ 22,191
Excess (deficiency) of revenues over (under) expenditures	\$ 1,864	\$ 7	\$ 35	\$ -1,206	\$ 700
Fund balances beginning of year	318,355	1,921	9,136	25,272	354,684
Fund Balances End of Year	\$ 320,219	\$ 1,928	\$ 9,171	\$ 24,066	\$ 355,384

See accompanying independent auditor's report.

## Sumner Community School District

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances  
Expendable Trust Funds

Year Ended June 30, 2004

	40/8 Fayette Scholarship	Boehm- Kooper Scholarship	Total
Revenues:			
Local Sources:			
Interest on investments	\$ -	\$ 80	\$ 80
Contributions	-	200	200
Total Revenues	\$ -	\$ 280	\$ 280
Expenditures:			
Instruction:			
Regular Instruction:			
Scholarships	\$ 600	\$ 400	\$ 1,000
Excess (deficiency) of revenues over (under) expenditures	\$ -600	\$ -120	\$ -720
Fund balances beginning of year	390	3,914	4,304
Fund Balances End of Year	\$ -210	\$ 3,794	\$ 3,584

See accompanying independent auditor's report.

## Sumner Community School District

Schedule of Changes in Fiduciary Assets and Liabilities -  
Agency Fund – Instrumental Music

Year Ended June 30, 2004

	Balance Beginning of Year	Additions	Deductions	Balance End of Year
<b>Assets</b>				
Cash	\$ 10	\$ -	\$ -	\$ 10
<b>Total Assets</b>	\$ 10	\$ -	\$ -	\$ 10
<b>Liabilities</b>				
Accounts payable	\$ 10	\$ -	\$ -	\$ 10
<b>Total Liabilities</b>	\$ 10	\$ -	\$ -	\$ 10

See accompanying independent auditor's report.

## Sumner Community School District

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

## For the Last Three Years

	Modified Accrual Basis		
	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues:			
Local Sources:			
Local tax	\$ 2,265,510	\$ 2,295,180	\$ 1,997,862
Tuition	92,712	64,903	40,799
Other	425,685	336,235	328,682
Intermediate sources	-	-	-
State sources	2,329,940	2,365,933	2,535,543
Federal sources	187,912	189,923	176,483
Total	<u>\$ 5,301,759</u>	<u>\$ 5,252,174</u>	<u>\$ 5,079,369</u>
Expenditures:			
Instruction:			
Regular instruction	\$ 2,234,590	\$ 2,111,978	\$ 2,281,031
Special instruction	727,572	680,142	687,741
Other instruction	462,787	429,062	427,385
Support services:			
Student services	84,280	89,750	87,271
Instructional staff services	65,738	68,117	49,000
Administrative services	437,929	410,250	352,214
Operation and maintenance of plant services	589,771	472,193	547,711
Transportation services	144,118	194,013	137,145
Other expenditures:			
Facilities acquisition	7,750	534	7,183
Long-term debt:			
Principal	35,150	35,150	30,150
Interest and other charges	4,200	6,270	7,970
AEA flow-through	188,375	200,146	202,566
Total	<u>\$ 4,982,260</u>	<u>\$ 4,697,605</u>	<u>\$ 4,817,367</u>

See accompanying independent auditor's report.

**Independent Auditor's Report on Compliance  
And on Internal Control over Financial Reporting**

Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting

To the Board of Education of  
Sumner Community School District:

I have audited the financial statements of Sumner Community School District as of and for the year ended June 30, 2004, and have issued my report thereon dated July 21, 2004. I conducted my audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Sumner Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2004 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Sumner Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.



This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sumner Community School District and other parties to whom Sumner Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Sumner Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

Keith Oltrogge  
Certified Public Accountant

July 21, 2004

**Sumner Community School District**

**Schedule of Findings**

**Year Ended June 30, 2004**

**Part I – Findings Related to the General Purpose Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

No matters were reported.

**Sumner Community School District**

**Schedule of Findings**

**Year Ended June 30, 2004**

**Part II - Other Findings Related to Statutory Reporting:**

II-A-04 Official Depositories - Official depositories have been approved by the District. The maximum deposit amounts approved were not exceeded during the year ended June 30, 2004.

II-B-04 Certified Budget – Disbursements for the year ended June 30, 2004 exceeded the amended certified budget amounts in the support services function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-C-04 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-D-04 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-E-04 Business Transactions – Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title &amp; Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Diane Boltz, Board Member Owner of Lilacs & Lace	Commencement flowers	\$1,062

In accordance with an Attorney General's opinion dated November 9, 1976, the above transaction does not appear to represent a conflict of interest.

II-F-04 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-G-04 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted. Not all minutes were published as required by Chapter 279.35 of the Code of Iowa.

Recommendation - The District should insure that all minutes are published as required.

Response – All minutes will be published as required.

Conclusion – Response accepted.

- II-H-04 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-I-04 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-J-04 Certified Annual Report – The Certified Annual Report was filed with the Iowa Department of Education timely and I noted no significant deficiencies in the amounts reported.